

Budget Brief – School and Institutional Trust Lands Administration

NUMBER: NRAS-BB-08-21

SUMMARY

School and Institutional Trust Land Administration (SITLA) was established as a quasi-governmental independent state agency in 1994 to manage all school and institutional trust lands and associated assets. A part of the generated revenue is used for SITLA's capital and operating expenses and the rest is deposited into the Permanent School Fund. For detailed information on this line item, please see Compendium of Budget Information for the 2008 General Session, pages 175-190.

ISSUES AND RECOMMENDATIONS

Investigator

SITLA is requesting an ongoing appropriation of \$98,900 from the Land Grant Management fund for FY 2009 to contract with the Attorney General's office for an attorney who can provide support to local law enforcement officials, county attorneys general, and assist in the prosecution of crimes committed against trust land assets. This position was funded in the last three years with one-time appropriations. The Analyst recommends the Subcommittee fund the request.

Temporary RS2477 Resource Specialist

SITLA is working with the Public Lands Coordinating Council to help counties resolve the RS 2477 claims involving trust lands. The data must be analyzed and determinations made on each claim. Thus far the work for only one of the 29 counties has been completed. SITLA is requesting funding to hire a temporary Resource Specialist to help them with the RS 2477 process. The Analyst recommends the Subcommittee provide for FY 2008 a supplemental appropriation of \$17,300 and for FY 2009 a one-time appropriation of \$46,400.

Surface Resource Specialist

The workload for the Surface group has increased in recent years. The agency is requesting funding for a Resource Specialist who will be responsible for the lease compliance throughout the state, ensuring that all leases and other uses of trust lands do not degrade the land or compromise the ability to use the lands and receive revenues from them. The Analyst recommends the Subcommittee provide for FY 2009 an ongoing appropriation of \$88,900 to hire a Resource Specialist. Since the new employee will be traveling extensively, the Analyst recommends a one-time appropriation of \$31,000 for purchasing a vehicle and an ongoing appropriation of \$7,000 for the vehicle's operating/depreciation costs.

Figure 1: School & Institutional Trust Lands - School & Inst Trust Lands - Budget History

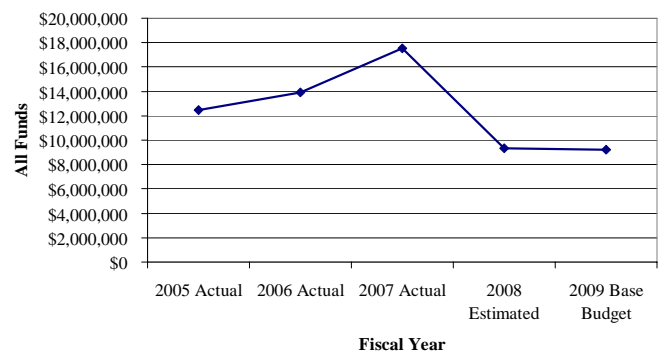
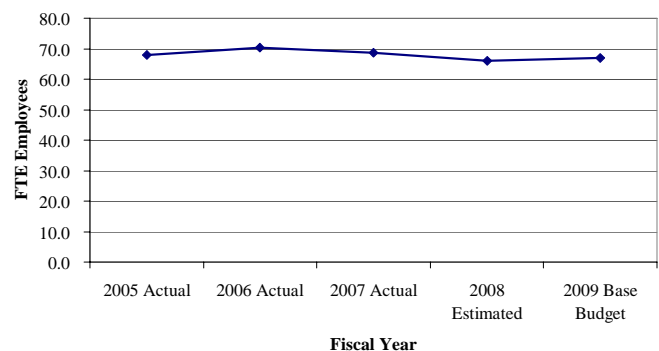


Figure 2: School & Institutional Trust Lands - School & Inst Trust Lands - FTE History



Development Research Analyst

With the growth of the Planning and Development group it becomes more important to maintain accountability and look for ways to become more effective. The agency is requesting for FY 2009 an ongoing appropriation of \$82,300 for hiring a Research Analyst. The Fiscal Analyst recommends the Subcommittee fund this request.

Project Accounting System

The first phase of the development of the development of the project accounting system is complete. It provides high level information for use by upper management, the board, and the Legislature. The next phase of the project is to make the information available for staff to use for day to day management of the projects. The Analyst recommends the Subcommittee provide for FY 2008 a supplemental appropriation of \$50,000.

Web Services

SITLA is requesting funding as a supplemental appropriation for FY 2008 for web services. The company providing design and hosting services for SITLA has been sold and the new owner will no longer provide these services to third parties. The additional costs to switch to a new provider will be \$34,000. SITLA is also requesting \$100,000 for creating and implementing electronic forms. The Analyst recommends the Subcommittee fund these requests.

Capital Investments

The agency is requesting the following funding for capital development:

- A supplemental appropriation of \$1,350,000 for FY 2008 for the following projects: \$290,000 for water rights purchase; \$560,000 South Block infrastructure; \$500,000 for Port 15 Railroad Crossing.
- A one-time appropriation of \$7,700,000 for FY 2009 for the following projects: \$1,660,000 for the South Block infrastructure; \$1,000,000 for the Green Springs infrastructure; \$2,290,000 for water rights purchase; \$2,750,000 for construction of a building (equity investment). The Analyst recommends the Subcommittee provide the funding.

Funding Reallocation

The 2005 Legislature provided \$200,000 ongoing appropriation to be used by SITLA for appraisals and technical support in preparation for land exchanges with the federal government. But because the process authorizing the land exchanges has been slow, this funding was not fully utilized in the past two years. The Analyst recommends the Subcommittee authorize the agency to use a one-time \$98,000 from this ongoing source to pay for SITLA's remodeling expenses in FY 2008.

Auditing

SITLA is requesting additional funding for travel and training for its field and contracted auditors: \$30,000 supplemental for FY 2008 and \$30,000 ongoing for FY 2009.

IT Needs

SITLA has requested funding for the following IT needs:

- For FY 2008 a supplemental appropriation of \$99,000: \$20,000 to provide Local Area Network (LAN) support services; \$79,000 to pay for one-time purchases for the remodeling (\$32,000 for Gigabyte Switches; \$12,000 for door-access security upgrades; \$15,000 for board and conference room moves; \$20,000 for voice and data wiring.
- For FY 2009 an ongoing appropriation of \$121,000: \$20,000 to provide Local Area Network (LAN) support services (hire PT intern to as an assistant to the 1 FTE to maintain computers); \$20,000 for consultation on the two GIS projects; \$13,000 for employee training and development for staff on the new products and features on the two GIS projects; \$8,000 for conventions and workshops to enhance staff knowledge and skills; \$60,000 for DP equipment replacement for the next five years.

ACCOUNTABILITY DETAIL

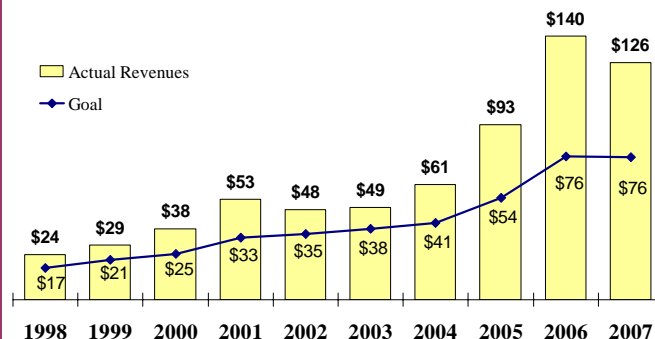
In FY 2007 SITLA exceeded its revenue goal by \$53 million. Thus far, the revenues goals have consistently been lower than the prior year's actual revenues. This practice was criticized by an audit team in report "A Performance Audit Of the School & Institutional Trust Land Administration (SITLA)" issued in January 2006. The audit stated: "This practice seems contrary to business principles of setting goals beyond the previous year's achievement."

As a response to the audit, in FY 2007 SITLA board has implemented a sliding-scale goal based on the price of natural gas. This was intended to reduce the market impact on the reaching of the revenue goal.

The average gas price for FY 2007 was less than \$5 per MCF and SITLA's revenue goal was \$76 million. However, it is noteworthy that according to this schedule, even at the highest natural gas prices (more than \$8 per MCF), the goal was set at \$122 million, which is 13 percent lower than the actual revenues generated the year before, \$140 million.

The revenues are deposited in the Permanent School Fund, less the amount covering SITLA's operating and capital expenditures. The trust assets and SITLA's expenditures have grown over the years

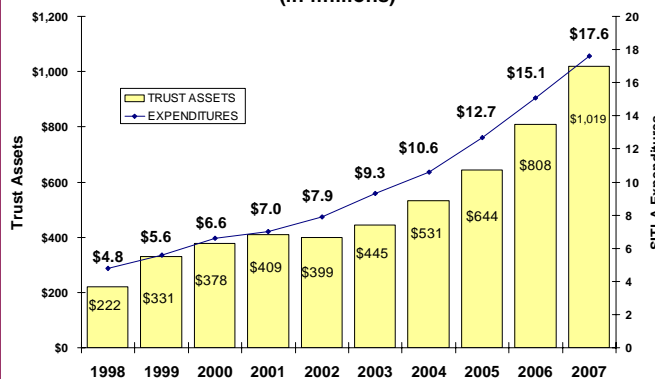
**SITLA Goals and Revenues
(in millions)**



SITLA's Sliding-Scale Revenue Goal, FY 2007

Average Natural Gas Price	Revenue Goal
Less than \$5 per MCF	\$75,731,785
Between \$5 per MCF and \$6 per MCF	\$98,831,785
Between \$6 per MCF and \$7 per MCF	\$106,681,785
Between \$7 per MCF and \$8 per MCF	\$114,681,785
Greater than \$8 per MCF	\$122,481,785

**SITLA Revenues and Expenditures over Time
(in millions)**



BUDGET DETAIL**Budget Recommendation**

The Analyst recommends for the School and Institutional Trust Land Administration for FY 2009 a base budget appropriation as follows: \$9,201,800 for the Operation and \$8,800,000 for the Capital line items (see Budget Detail Tables). None of the requests for funding increase are built in the tables and charts of this Budget Brief.

BUDGET DETAIL TABLE

School & Institutional Trust Lands - School & Inst Trust Lands						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
Land Grant Mgt Fund	17,586,800	9,325,700	0	9,325,700	(123,900)	9,201,800
Lapsing Balance	(33,500)	0	0	0	0	0
Total	\$17,553,300	\$9,325,700	\$0	\$9,325,700	(\$123,900)	\$9,201,800
Programs						
Board	257,300	208,700	0	208,700	0	208,700
Director	639,600	780,700	0	780,700	0	780,700
Public Relations	268,400	230,000	0	230,000	0	230,000
Administration	860,100	1,077,400	(174,200)	903,200	0	903,200
Accounting	351,300	365,200	0	365,200	0	365,200
Auditing	222,400	270,700	50,300	321,000	0	321,000
Minerals	1,200,200	1,313,300	0	1,313,300	0	1,313,300
Surface	1,467,700	1,714,100	0	1,714,100	0	1,714,100
Development - Operating	1,363,100	1,381,400	0	1,381,400	0	1,381,400
Legal/Contracts	597,400	605,100	123,900	729,000	(123,900)	605,100
Data Processing	854,500	837,200	0	837,200	0	837,200
Forestry and Grazing	460,100	541,900	0	541,900	0	541,900
Development - Capital	9,011,200	0	0	0	0	0
Total	\$17,553,300	\$9,325,700	\$0	\$9,325,700	(\$123,900)	\$9,201,800
Categories of Expenditure						
Personal Services	5,841,800	6,516,500	19,900	6,536,400	0	6,536,400
In-State Travel	111,800	109,200	2,600	111,800	0	111,800
Out of State Travel	69,500	55,300	14,200	69,500	0	69,500
Current Expense	2,874,600	2,456,600	(100,700)	2,355,900	(123,900)	2,232,000
DP Current Expense	378,200	180,600	53,600	234,200	0	234,200
Capital Outlay	7,879,300	7,500	10,400	17,900	0	17,900
Other Charges/Pass Thru	64,300	0	0	0	0	0
Operating Transfers	333,800	0	0	0	0	0
Total	\$17,553,300	\$9,325,700	\$0	\$9,325,700	(\$123,900)	\$9,201,800
Other Data						
Budgeted FTE	68.7	65.0	1.0	66.0	1.0	67.0

School & Institutional Trust Lands - SITLA Capital - Capital						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
Land Grant Mgt Fund	0	8,800,000	0	8,800,000	0	8,800,000
Total	\$0	\$8,800,000	\$0	\$8,800,000	\$0	\$8,800,000
Categories of Expenditure						
Current Expense	0	100,000	309,600	409,600	0	409,600
DP Capital Outlay	0	7,200,000	(7,200,000)	0	0	0
Capital Outlay	0	0	8,326,100	8,326,100	0	8,326,100
Other Charges/Pass Thru	0	1,500,000	(1,435,700)	64,300	0	64,300
Total	\$0	\$8,800,000	\$0	\$8,800,000	\$0	\$8,800,000